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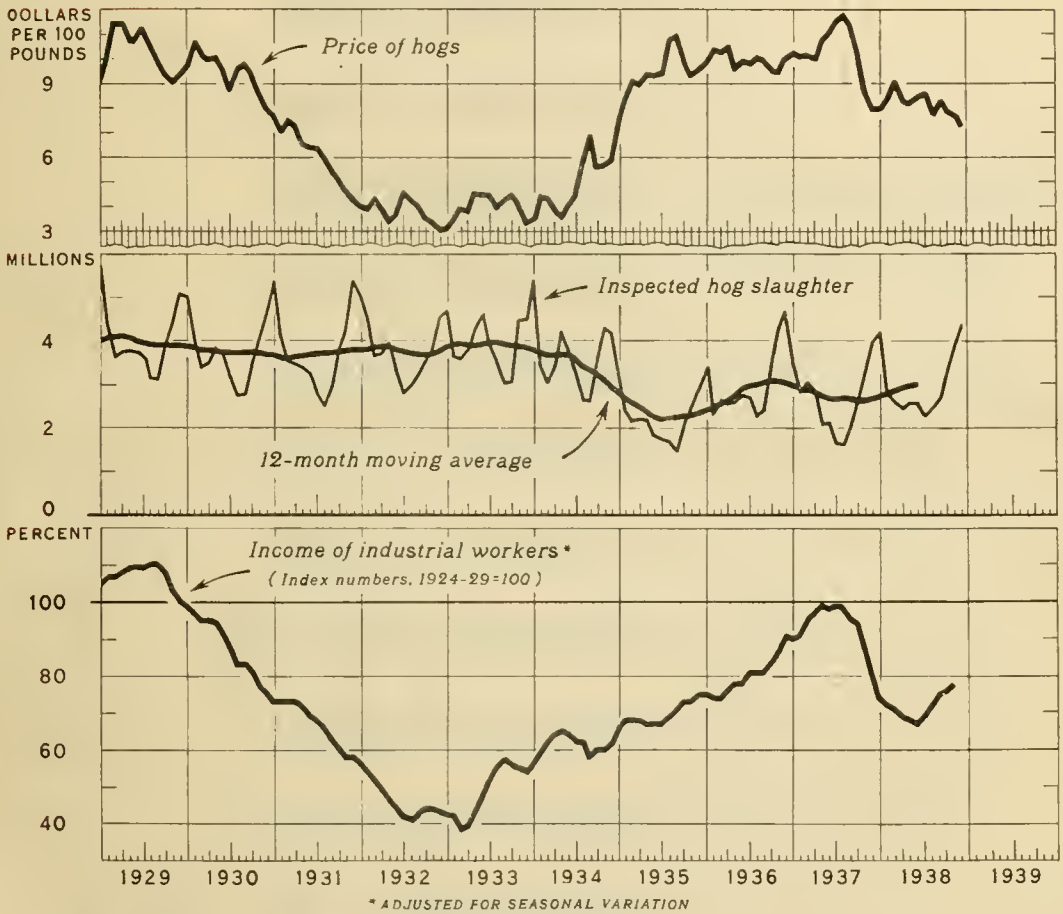
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U.S. DEPOSITORY

THE HOG SITUATION

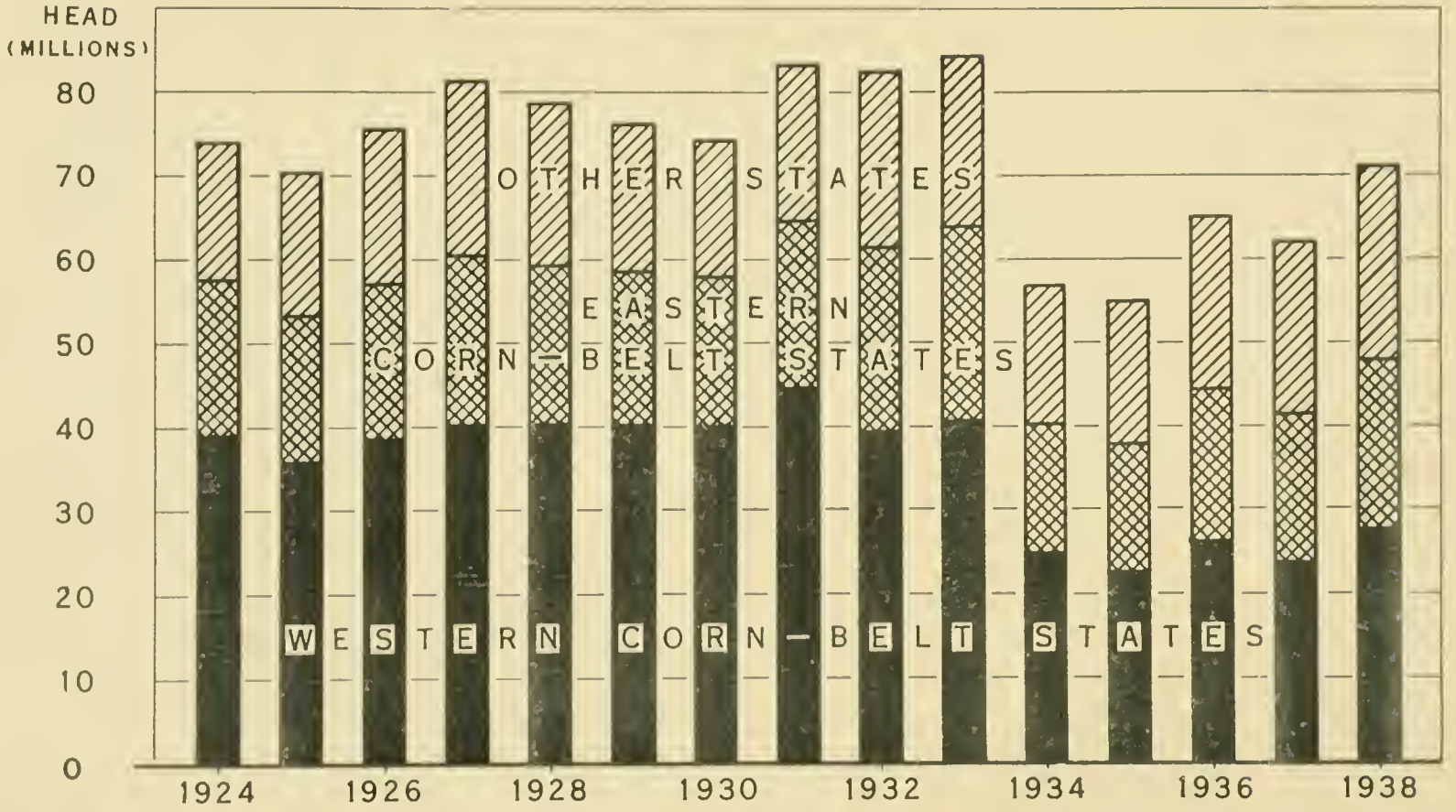
AVERAGE PRICE OF HOGS AT CHICAGO, FEDERALLY INSPECTED SLAUGHTER OF HOGS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1929-38



U.S DEPARTMENT OF AGRICULTURE NEG. 34437 BUREAU OF AGRICULTURAL ECONOMICS

THIS CHART SHOWS THE RELATIONSHIP OF CHANGES IN SLAUGHTER SUPPLIES OF HOGS AND CHANGES IN INCOMES OF CONSUMERS TO CHANGES IN HOG PRICES. A LARGE INCREASE IN HOG SLAUGHTER OCCURRED IN THE LAST HALF OF 1938, BUT THIS WAS PARTLY OFFSET BY SOME IMPROVEMENT IN INCOMES OF CONSUMERS. HOG PRICES DECLINED ALMOST STEADILY FROM AUGUST THROUGH DECEMBER 1938, BUT THE DROP WAS MUCH LESS THAN THAT WHICH OCCURRED IN THE SAME PERIOD OF 1937, WHEN CONSUMER INCOMES WERE SHARPLY REDUCED.

ANNUAL PIG CROP



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FIGURE 1

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THE 1938 PIG CROP OF ABOUT 71 MILLION HEAD WAS 15 PERCENT LARGER THAN THAT OF 1937 AND WAS THE LARGEST SINCE 1933. LARGELY BECAUSE OF THE DROUGHT OF 1934, THE PIG CROP OF THAT YEAR WAS GREATLY REDUCED AND A FURTHER REDUCTION OCCURRED IN 1935. ALTHOUGH THE PIG CROP IN 1938 WAS CONSIDERABLY LARGER THAN IN 1937, IT WAS ABOUT 11 PERCENT SMALLER THAN THE 1929-33 AVERAGE. IN VIEW OF THE PRESENT LARGE FEED SUPPLIES AND THE HIGH HOG-CORN PRICE RATIO, IT IS EXPECTED THAT THE 1939 CROP WILL BE ABOUT EQUAL TO AVERAGE.

THE HOG SITUATION

Summary

Slaughter supplies of hogs in the current marketing year, which began October 1, probably will be at least 15 percent larger than in the 1937-38 marketing year, according to the Bureau of Agricultural Economics. This increase in market supplies is a reflection of the larger pig crops in 1938 than in 1937. The 1938 spring pig crop was 13 percent larger than that of a year earlier and the 1938 fall pig crop was 18 percent larger.

Consumer demand for meats will be stronger this year than last. But the effect of this improvement in demand on hog prices is expected to offset only partly the effects of the increased supplies.

The upswing in hog production in 1938 reflects the abundant feed supplies, the high hog-corn price ratio and the low level of hog production in some areas, especially in the Western Corn Belt. Present indications are that a further marked increase in the number of pigs raised will occur in 1939. On the basis of breeding intentions reported about December 1, it was estimated that the number of sows to farrow in the spring of 1939 will be about 21 percent greater than the number farrowed in the spring of 1938. If feed crop production this year is near average, it is not unlikely that the combined spring and fall pig crops of 1939 will reach or exceed 80 million head, which is the average of the 5 years prior to the 1934 drought.

If the 1939 pig crop should be as large as or larger than the 1929-33 average, hog marketings in 1939-40 (year beginning October 1939) will increase to a level at least as high as that prevailing before the drought. This would mean that inspected hog slaughter in 1939-40 would be the

largest since 1932-33 and it probably would be about 35 percent greater than the 34.6 million head slaughtered in 1937-38.

The increase in consumer demand in 1938-39 will not be sufficient to offset the effect of increased supplies, and hog prices in 1938-39 probably will average lower than in 1937-38, when the average was about $8. And unless there is further material increase in consumer demand in 1940, hog prices in the 1939-40 marketing year will average lower than in the current marketing year.

With the prospective increases in hog production and slaughter, the outlook for lard in the next few years is decidedly unfavorable. During the 1925-29 period the United States exported the lard from about 22 million hogs, or about 33 percent of the total slaughter. Since 1929 foreign demand fer hog products has been sharply reduced. In the 3 years, 1935-37, we exported the lard from less than 10 percent of our total hog slaughter. And the situation with respect to prospective foreign outlets for lard indicates little likelihood of increasing our exports of this commodity in the next few years to the 1925-29 level. The production of lard from the prospective increased output of hogs in 1939-40 will be considerably larger than needed to provide for normal consumption requirements.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- The market movement of the spring pigs in substantial volume began earlier than usual in 1938. Hog marketings in August were larger than in July for the second time on record. Largely as a result of this early increase in marketings, hog prices began to decline in August, whereas in most years prices do not weaken until after mid-September. This decline in prices continued until early December.

Marketings continued to increase after August, exceeding marketings a year earlier, but a part of the effect of this upon prices in recent months has been offset by some improvement in consumer demand. The larger supplies in the current marketing year than last reflect chiefly the 13 percent increase in the 1938 spring pig crop over that of 1937.

Hog prices steady in December and early January

Although prices of hogs continued to weaken in early December, they held fairly steady during the remainder of that month and in early January. The spread between prices of light and heavy hogs widened somewhat during December, whereas in October and November the range in prices of all weights of hogs was very narrow.

The average price of butcher hogs at Chicago for the first week of January was $7.25 about the same as in the first week of December, but it was about 70 cents lower than in early 1938. In late July 1938, prices of hogs were at the highest level for the entire calendar year, and the weekly average price of butcher hogs at Chicago for the week ended July 23 was about $9.65. Since that time prices have dropped about $2.40.

Further increase in hog marketings in December

The drop in prices in recent months was brought about by the large seasonal increase in hog marketings. Marketings nearly doubled from July through December. Inspected hog slaughter totaled 4,346,000 head in December. This was 11 percent larger than in November and 10 percent greater than in December 1937. In the first 3 months (October through December) of the present hog marketing year, inspected hog slaughter was about 16 percent larger than that of a year earlier.

Average weights of hogs increased seasonally in December. At the seven leading markets the average weight was slightly heavier than a year earlier, while in both October and November it was lighter.

Hog-corn price ratio down but continues much above average

Corn prices rose during December, and as hog prices were steady to lower, the hog-corn price ratio declined. Based on prices of hogs and corn received by farmers, the hog-corn price ratio in the Corn Belt on December 15 was 17.1 compared with 20.1 a month earlier. Despite this decrease the ratio continues to be much higher than average; thus indicating that corn is cheap in relation to hogs.

Storage stocks of pork and lard increase seasonally in December

Stocks of pork increased about 42 percent from December 1 to January 1, and lard stocks increased about 44 percent in this period. Pork stocks on January 1 were about 7 percent larger than those of a year earlier, but they were considerably smaller than the 1933-37 January 1 average. Stocks of lard at the beginning of 1939 were about double those of a year earlier but were only slightly larger than average. The increase in storage holdings during December reflects partly the relatively large hog slaughter during the month, but it also appears that storage demand is somewhat better than last year. The increases in stocks of both pork and lard in terms of pounds in December 1938 was considerably greater than in December 1937, when storage demand was relatively weak.

Storage holdings of pork and lard on the first of the month, October-January, average 1933-37, 1937-38 and 1938-39

Month	5-year average 1933-37		1937-38		1938-39	
	Pork	Lard	Pork	Lard	Pork	Lard
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Oct.	415	108	283	73	277	90
Nov.	372	83	266	39	252	68
Dec.	425	80	307	34	299	74
Jan.	560	98	399	54	1/ 426	1/ 107

1/ Preliminary.

Large increase in pork exports in November

Pork exports in November totaled about 11 million pounds and were the largest for any month since November 1934. They were about 3.8 million pounds larger than those of November 1937. A large part of this increase was in cured pork, but exports of fresh pork also increased materially. Imports of pork in November totaled slightly less than 4 million pounds.

Lard exports in November amounted to 16 million pounds compared with 21 million in October and 18 million pounds in November 1937. In the earlier months of 1938 lard exports were larger than a year earlier, and exports for the entire year were the largest since 1934. Although exports of both pork and lard in 1938 were larger than in any of the 3 previous years, total exports for the year were much smaller than in the years prior to 1934.

OUTLOOK

The outlook for hogs has been changed somewhat since the release of the 1939 hog outlook report in early November. It now seems probable that hog marketings in the present marketing year, which began last October, will be larger than appeared likely a few months ago, and they will be much larger than in 1937-38. It is also expected that marketings in 1939-40 will be much larger than in the present year, and they may be in excess of the average of the years 1929-33, before hog production was curtailed so severely by the droughts of 1934 and 1936.

1938 fall pig crop 18 percent larger than a year earlier

According to the December pig crop report, the 1938 fall pig crop was estimated to be 27,651,000 head, which was 4.2 million head or 18 percent larger than the fall crop in 1937. The 1938 fall crop was the largest since 1933, and was only 3 percent smaller than the average for

the country, with the largest increases in the West North Central and South Central States.

The larger fall pig crop this year than last reflects increases in both the numbers of sows farrowed and in the number of pigs saved per litter. The number of sows farrowed last fall was 16 percent larger than that of a year earlier. This was somewhat greater than the 9 percent which was indicated on the basis of breeding intentions for fall farrow reported in June 1938.

The increase of 18 percent in the 1938 fall pig crop over a year earlier followed an increase of 13 percent in the 1938 spring pig crop. The combined spring and fall pig crop was estimated to be about 71.1 million head, or 15 percent larger than that of 1937. This is the largest yearly pig crop since 1933, but it is about 11 percent smaller than the 1929-33 average.

The following table shows the annual pig crop in the United States and in the major geographic regions for the years 1934 through 1938 along with the 1929-33 average. It will be noted from this table that the 1938 pig crop was about 32 percent below the 1929-33 average in the West North Central States (Western Corn Belt), and about 12 percent below average in the Western States. These two regions were most severely affected by the droughts of 1934 and 1936. In the East North Central States (Eastern Corn Belt) the 1938 pig crop was about equal to the 1929-33 average; in other regions of the country it was substantially larger than this average.

Combined spring and fall pig crops, by regions, average 1929-33, annual 1934-38

Region	Average 1929-33	1934	1935	1936	1937	1938 1/	1938 as a percentage of 1929-33 average
	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Percent
E.N. Central	20,174	15,445	15,442	18,081	17,860	20,147	99.9
W.N. Central	41,012	25,025	22,646	26,376	23,581	27,812	67.8
All N. Central	61,187	40,470	38,088	44,457	41,441	47,959	78.4
North Atlantic	1,378	1,158	1,270	1,511	1,615	1,673	121.4
South Atlantic	4,941	4,570	4,943	5,642	5,925	6,590	133.4
South Central	9,349	8,510	8,779	10,595	10,206	12,061	129.0
Western	3,177	2,058	2,006	2,712	2,720	2,805	88.3
United States	80,032	56,766	55,086	64,917	61,907	71,088	88.8

1/ Preliminary.

Further large increase in 1939 pig crop expected

The sharp upswing in hog production in 1938 reflects the abundant feed supplies, the high hog-corn price ratio and the low level of hog production in some areas, especially in the Western Corn Belt.

A further marked increase is indicated in the number of pigs raised in 1939. On the basis of breeding intentions reported by farmers about December 1, it was estimated that the number of sows to farrow in the spring of 1939 would be 21 percent larger than the number farrowing in the spring of 1938. If the number of pigs saved per litter this spring should be about the same as that of 1938, the 1939 spring crop will total about 52 million head. A crop of this size would be the largest since 1933 and larger than the 1929-33 average.

No definite indication of the size of the 1939 fall pig crop can be given at this time. But, if feed crop production this year is about average, it seems probable that the fall crop of 1939 will be larger than that of 1938. If the 1939 fall crop should be about 10 percent larger than that of 1938, the total 1939 pig crop (spring and fall combined) probably would number more than 80 million head. A total yearly crop of about 80 million head would be about 14 percent larger than that of 1938 and about equal to the 1929-33 average.

Larger hog slaughter in 1938-39 expected

The increase in the 1938 spring pig crop has been reflected during the past 3 or 4 months in increased marketings over a year earlier. In view of the larger spring and fall pig crops of 1938, inspected hog slaughter in the 1938-39 marketing year is expected to total around 40 million head compared with 34.6 million in 1937-38. Slaughter in the present marketing year will be the largest since 1933-34, but it will be about 12 percent smaller than the average of the 5 years 1929-33.

In the outlook report on hogs for 1939, included in the November issue of The Hog Situation, it was stated that inspected hog slaughter probably would total between 37 and 38 million head. This estimate has been increased to about 40 million chiefly because the 1938 fall pig crop was considerably larger than had been expected.

It should be noted also that in all years except 1937-38, when the hog-corn price ratio has been high and feed supplies abundant, slaughter in the first 3 months of the marketing year has represented a smaller than average percentage of the yearly total. Last year, under similar conditions of feed supplies and hog and feed prices, the proportion of the yearly total slaughter in the first quarter of the year was about average. In the current marketing year, 1938-39, if inspected slaughter from October through December should be about an average proportion of the yearly total, slaughter in the 1938-39 marketing year would total between 40 and 41 million head.

Large slaughter in 1939-40 probable

As already indicated, if feed crop production is near average in 1939, the pig crop this year probably will total about 80 million head. Pigs from the 1939 crop will be marketed largely in the 1939-40 marketing year, beginning next October. With a crop of about 80 million head, inspected hog slaughter in 1939-40 would total 46 million head or more. Such a slaughter would be the largest since 1932-33, and would be about equal to the 1929-33 average. It is even possible that the 1939 pig crop will exceed 80 million head, and in such case inspected hog slaughter in 1939-40 would be larger than the 1929-33 average. Thus, with favorable feed crops in 1939, it appears probable that the number of pigs raised in 1939 and the number of hogs slaughtered in 1939-40 will return to the level prevailing before the 1934 drought.

Because of the feed shortage resulting from the 1934 drought, the 1935 pig crop was reduced to about 55 million head, or 31 percent below the 1929-33 average. The pig crops in 1936 and 1937 were somewhat larger than that of 1935, but continued much below average. With good feed crops in 1937 and 1938 the pig crop in 1938 was about 29 percent larger than in 1935, and in 1939 the pig crop may be about 45 or 50 percent greater than the low level reached following the 1934 drought. Changes in the annual pig crop and in inspected hog slaughter in recent years are given in the following table.

Pig crop, inspected slaughter and prices per 100 pounds of hogs, and national income, average 1929-33 annual 1932-38

Year	Pig crop	Hogs 1/			National income paid out 3/
		Inspected slaughter 2/	Average price paid by packers	Average price received by farmers	
	Thousands	Thousands	Dollars	Dollars	Million dollars
Average, 1929-33	80,032	45,354	5.71	5.35	61,644
1932	82,525	47,103	3.68	3.36	49,024
1933	4/84,200	43,911	4.07	3.73	45,317
1934	56,786	30,680	7.75	6.95	51,510
1935	55,086	31,022	9.79	9.13	55,137
1936	64,017	34,142	10.18	9.44	62,586
1937	61,907	34,580	8.41	8.03	69,330
1938	5/71,088	6/ 40,000			5/ 64,500

1/ Marketing year beginning October.
2/ Bureau of Animal Industry.
3/ Department of Commerce.
4/ About 6 million pigs from the 1933 crop were purchased and slaughtered under the Agricultural Adjustment Administration Emergency program in August and September 1933. These pigs are not included in slaughter figures for 1932-33 or 1933-34. 5/ Preliminary. 6/ Estimate.

Hog prices

The effects of the larger market supplies of hogs upon hog prices in 1938-39 will be partly offset by improvement in consumer demand for meats. Industrial activity and employment have increased materially since last summer, and this has provided support for hog prices. It is expected that the general level of consumer buying power in 1939 will be higher than the average for 1938, but not greatly higher than in the last part of that year. The improvement in demand probably will be relatively small compared with the increase in supplies of hogs.

No definite indication of the probable level of hog prices in 1939-40 is now possible. But if hog slaughter in 1939-40 should be about equal to the 1929-33 average, it would be approximately 15 percent greater than the slaughter in 1938-39 and nearly 35 percent larger than in 1937-38. If supplies should be this large in 1939-40, consumer demand and national income would have to increase to a level about equal to that of 1929, in order for hog prices in 1939-40 to average as high as in 1937-38, about $8. Stated in another way, the average price of hogs in 1939-40 probably could not be equal to that of 1937-38 unless national income in 1940 were at least 25 percent greater than in 1938. So large an increase in national income by 1940 does not now seem likely.

It is expected, however, that the level of national income and consumer demand for meats in 1940 will be higher than in 1938, and much higher than the depression lows of 1932-33. Consequently, even if supplies of hogs increase to the level prevailing before the drought, it is not expected that the average price of hogs in 1939-40 will decline to anything like the low levels of 1932 and 1933. But it seems probable, in view of prospects for increased hog production, that the trend in hog prices will be downward in the next 2 years, with the average price in 1938-39 lower than in 1937-38 and with the average price in 1939-40 lower than in 1938-39.

The lard situation and prospects

The prospective increase in hog production probably will not result in a supply of pork in 1939-40 in excess of the quantity necessary to provide for a per capita consumption in this country about equal to the average of the post-war years before the 1934 drought. But the volume of lard produced from the prospective increased output of hogs in 1939-40 will be considerably larger than that needed to provide for normal consumption requirements.

In each of the post-war years, especially prior to 1935, exports of lard represented a much greater proportion of the total output than did exports of pork. In the period 1925-29, for example, the average yearly exports of lard represented the lard production from about 22 million hogs or about 32 percent of the total slaughter. In the same period the average yearly exports of pork represented the output from about 3 million hogs, or about 4 percent of the total hog slaughter. Since 1929, however, the foreign outlet for pork and lard has been sharply

reduced by quotas, exchange regulations and barter agreements.

The following table gives exports, production and consumption of pork and lard and total hog slaughter from 1935 through 1937 with averages for 1920-24, 1925-29, and 1930-34.

Total production, consumption, and exports of pork and lard, hog slaughter, and hogs required to produce exports, averages 1920-24, 1925-29 and 1930-34, annual 1935-37

Year	Total production		Total consumption		Per capita consumption		Exports 1/	
	Pork, excluding lard	Lard	Pork, excluding lard	Lard	Pork, excluding lard	Lard	Pork	Lard
	Million pounds	Million pounds	Million pounds	Million pounds	Pounds	Pounds	Million pounds	Million pounds
Average:								
1920-24	8,424	2,329	7,560	1,449	68.7	13.2	794	869
1925-29	8,480	2,285	8,069	1,513	68.2	12.8	370	752
1930-34	8,719	2,270	8,479	1,678	67.9	13.5	169	561
1935	5,953	1,267	6,189	1,218	48.5	9.6	89	97
1936	7,535	1,673	7,121	1,443	55.4	11.2	67	112
1937	6,886	1,434	7,120	1,363	55.1	10.5	63	137

	Total hog slaughter	Hogs required to produce exports of -		Percentage of total hog slaughter required to produce exports of -	
		Pork	Lard	Pork	Lard
	Thousands	Thousands	Thousands	Percent	Percent
Average					
1920-24	68,768	6,464	25,650	9.4	37.3
1925-29	67,638	2,976	22,253	4.4	32.9
1930-34	69,986	1,330	17,287	1.9	24.7
1935	46,230	693	3,560	1.5	7.7
1936	59,188	533	3,966	0.9	6.7
1937	53,745	484	5,160	0.9	9.6

1/ United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

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If it is assumed that total hog slaughter in 1940 will be about 70 million head, and if yields of pork and lard are about the same as before 1934, the total output of pork would be about 8.7 billion pounds and the total production of lard would be about 2.3 billion pounds. It is estimated that population in the United States in 1940 will total about 131.4 million persons. If no pork were exported or imported, the per capita consumption of pork in 1940 would be about 66.2 pounds compared with the 1925-29 average of 68.2 pounds.

If no lard were exported or imported, lard consumption per capita in 1940 would be about 17.5 pounds compared with the 1925-29 average of 12.8 pounds. It does not seem probable, however, that the per capita lard consumption can be increased much beyond the 1925-29 average. If this is the case about 600 million pounds of lard would have to be disposed of in foreign markets or for inedible uses. At the present time the foreign situation indicates that there is little likelihood of increasing lard exports to this figure.

In any event it appears that further marked increases in hog production will be accompanied by a burdensome lard surplus. In 1938 the wholesale price of refined lard was but little higher than the price of hogs, whereas it usually has been from $2 to $6 per 100 pounds higher than the price of hogs. It should also be noted that prices of cottonseed oil (the principal competitor of lard) have been high in relation to lard prices during the past year. Thus, with the prospective increases in hog and lard production, the outlook for lard in the next few years is decidedly unfavorable.